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NGO DEVELOPMENT OF SMALL FARMER AGRO-ENTERPRISES IN SRI LANKA

**A Study of Impacts, Useful Ideas, Lessons and Issues
for Five USAID-Assisted NGO Programmes**

ACDI/Agri-Dev Commercial Small Farm Development

Agromart Women Entrepreneur Training and Development

CARE Tea Cultivators Assistance (TEACUP)

CARE Private Seed Industry Development and Support (SID)

Nation Builders Association Socio-Economic Upliftment of Small Farmers

Prepared for USAID/Colombo

by

David W. Brown and Neville Gnanapragasam

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THE HIGHLIGHTS

We have conducted an exploratory study of five USAID-assisted NGO projects that have used creative ways to stimulate small-scale agro-enterprise capacities and activities in Sri Lanka. Listed below are several conclusions, or at least hypotheses, that emerge from this quick appraisal of useful innovations, impacts and lessons learned, in our minds at least. As you read this summary or the full report and blend it with your own experiences and insights, you may find yourself drawing different conclusions or having additional ideas. If so, USAID and we would welcome your constructive comments and informative contributions. The person to contact is:

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1. What we did

- » Reviewed programme reports and other studies.
- » Talked with the NGO project leaders.
- » Interviewed project staff at 9 NGO area centers near Chilaw, Kurunegala, Anuradhapura, Kandy, Bibile, Hambantota, and Matara.
- » Interviewed some local NGO group leaders.
- » Interviewed more than 40 farmer-members about NGO influences on them, enterprise changes made, how financed, problems encountered, effects on earnings and jobs created, how the extra earnings are being used, future plans, and suggestions for programme improvement.
- » Talked with some nearby farmers to learn whether they too had made enterprise changes, what were their information sources, and whether they knew about and were influenced by the nearby NGO activities.
- » Visited some local markets, shops, and agri-businesses to learn about their links to small farmers, and whether NGO activities were affecting them.
- » Talked with some private and public sector officials in the provinces and in Colombo about the larger picture of small-farmer links with technical information, finance, and market outlets.

2. Interesting findings

- » There is considerable latent agro-entrepreneurial talent and interest among men and women both in the small-farmer areas.
- » The earnings gains from the NGO-induced enterprises are mostly modest; annual farm income increases are often in the Rs 20,000-50,000 (\$ 400-1,000) range. But these gains are very meaningful to families who have been at the edge of bare subsistence.
- » Start-up capital requirements for new enterprises can be Rs 5,000, 10,000 or more. Small-group revolving funds and seasonal loans from contract buyers do not meet the need. Some banks are making loans to small farmers, but land titles, group guarantees, and complex procedures are sometimes required. Once beyond the start-up finance hurdle, innovative groups and individuals seem to find ways of their own to expand.
- » Even though some local government programmes are not dynamic, one finds capable, well motivated individuals in the agencies, retired agriculturalists and managers, and others who are interested in assisting small farmers. Only some use has been made of these resources by the NGOs.

3. Strong aspects of the NGO work

- » Their important roles of inspiring and energizing the start of new enterprises by small farmers and family members.
- » The entrepreneurship, business and financial management training that they are providing.
- » The technical training and field staff help that they are providing.
- » Their formation and reinforcement of local farmer groups.
- » Their help in arranging for start-up finance.
- » The intangible growth of local self-confidence and initiative that the NGO programmes are inducing.

4. Some limiting aspects of the NGO work

- » Lack of information at the local level about national and overseas markets, and ways to link to them.
- » Heavy reliance on the success of single enterprises.

- » Only limited attention to a) environmental concerns, b) growth of farm worker capabilities, and c) financial and legal arrangements for inter-generational transitions of the agro-enterprises.
- » Only limited spread-effects of the innovations to nearby areas.
- » Possible loss of clear sense of NGO aims and role when the start-up enterprises and groups move into the commercial expansion phase.
- » Inadequate planning for post-project sustainability and growth.

NGO DEVELOPMENT OF SMALL FARMER AGRO-ENTERPRISES IN SRI LANKA

by David W. Brown¹ and Neville Gnanapragasam²

A. Introduction

During the past several years, USAID and other international donors have reinforced innovative efforts by Non-Government Organizations in Sri Lanka to energize and reinforce development of profitable commercial enterprises by small farmers and rural women. Now that there has been some experience with this, USAID is feeling that results are starting to show up and useful lessons are being learned which can productively be examined and discussed, with a view toward future refinement of such undertakings here and in other countries. We were asked to conduct a month-long study of five USAID-assisted NGO projects in particular. They and their main features are as follows:

ACDI/Agri-Dev Commercial Small Farm Development

- » Has sought to organize gherkin growers, with close links to a pickle processor/exporter, near Puttalam and in some areas of NC and NW Provinces.
- » Now trying to establish an estate-size nucleus farm and outgrower system near Bibile to produce improved (Kew) pineapples, with links to a fresh fruit exporter and hopes to attract an on-site pineapple cannery operation.
- » Also starting root crop, coconut inter-cropping, and wetlands environmental protection activities (not examined in this study).

Agromart Foundation Societies

- » Has established -- mainly for women but including some men -- agro, home-industry and handicraft development societies near Chilaw and Kurunegala.
- » Emphasizes entrepreneurial training, financial planning and records, links to sources of start-up loans, regular local group meetings and technical guidance, annual trade fair, competitions with educational trips to Thailand and around Sri Lanka as awards.
- » Has begun to establish a similar set of activities in the South, with area offices at Hambantota and Matara.

CARE International: TEACUP Project

- » In 1989-93, established 152 smallholder groups, 16 societies, and local tea seedling nurseries in medium-altitude mountainous areas near Kandy.
- » Worked especially with low-income families who had traditional subsistence-oriented agriculture on marginal land.

¹Agricultural and rural development economist who has been a professor with Illinois, Tennessee, Iowa State, Texas A&M and Malaya universities; Chief of FAO's Situation and Outlook Service; and team leader/specialist/trainer with USAID, UN and foundation programmes in Pakistan, Indonesia, India, Peru, East Asia, Africa and elsewhere.

²A supplies and materials management specialist who has extensive experience with development of commercial agro production, processing and export systems in India, the Middle East and Sri Lanka.

- » Emphasized tea growing and harvesting skills, nursery management and seedling distribution, community participation and leadership, record keeping, group savings and credit, smallholder links to tea buyers and government tea programmes, and to some extent soil conservation and agroforestry.
- » Quite a few women became involved, and special women's groups were formed.

CARE International: SID Project

- » A new project aimed at generating production of improved seed by small-farmer groups and better local access to improved seeds.
- » Has begun programmes in the North Central, Northern and Eastern Provinces.
- » Giving attention to specialty crops with good future market prospects as well as paddy and other traditional crops.
- » Using a flexible approach of linking to viable farmer groups that already exist, rather than forming new groups.
- » Initially emphasized technical seed production and processing skills, but now giving more attention to business finance and management.
- » Has women field staff and is encouraging women to take part.
- » Already looking ahead to steps leading to phase-out and self-sustainability.

Nation Builder's Association: Socio-Economic Upliftment of Small Farmers in North Western Province (Kurunegala District)

- » Began in 1991; USAID participation ends after November 1994.
- » Has sought to revive deteriorating minor irrigation schemes, increase paddy yields, encourage crop diversification, strengthen management of farmer organizations, and rekindle community values and cooperation.
- » Activities have emphasized formation of 77 FOs and 8 divisional federations, training courses and leadership meetings at a retreat-type center, field demonstrations and mobil extension programmes, modest local revolving funds started with farmer and project contributions, and community labour donation events.
- » The training has included attention to savings and credit, management and marketing. Local-language materials related to these topics have been prepared.
- » To some extent, the Agricultural Development Authority and other government agencies have been involved.
- » Youth participation and enhancement of their personal development have received considerable attention.

The quarterly reports that USAID receives about these projects are replete with activity lists and totals -- so-many group meetings, training course participants, and the like. But these don't help one to gain a feel for what really is happening in terms of productivity, employment and economic changes from a whole-farm, family, or community standpoint. Nor do the reports capture the important intangibles of small-enterprise development, like energization of latent entrepreneurial talents, growth in management skills and abilities to cooperate with others. It was intended that this "bottom-up" study would look beneath the surface and bring to life important aspects of these NGO/USAID collaborative efforts as seen through the eyes of farmers, their families and the local NGO staff who are working closely with them.

A.1 Aims of the study

USAID requested us to address the following questions:

- a) What are the unique features of each project?
- b) What have been the impacts on participating farmers in terms of employment, income and production?
- c) Which project "inputs" (training, technical assistance, credit facilitation, group organization, etc.) have been most effective? And which innovative methodologies are suited to replication in other programmes?
- d) What are the impacts on agri-businesses that buy from or sell to the participating farmers, and what issues arise from these interfaces between farmers and agri-businesses?
- e) What lessons have been learned thus far?
- f) How sustainable are the outcomes of these NGO interventions in terms of a) continued group functioning, b) use of new technologies, c) market linkages and d) spread of technology and project benefits to neighbours?
- g) What are the potentials for involving commercial agri-business as self-interested partners working with small farmers and small-farmer organizations?

A.2 What we did

As can be seen, this was quite a tall order for just one month. A systematic sample survey of all the project locations, groups, participating farmers and linkages was not possible. To use a somewhat pretentious term, an investigative social science approach was used. This entails: a) diagnostic focus on a relatively few purposively chosen situations and information sources, b) blending of primary and secondary data with case examples and professional observations, c) careful probing to get beneath the surface, d) a flexible "rolling plan" approach where one traces more deeply aspects that show up to be especially important, and e) sifting and blending of information in light of broader historical perspective, experience elsewhere and judgment. This is similar to the "rapid appraisal" approach, but it uses less ritualized methods, sometimes probes more deeply, and draws more on analytical perspective and experience.³

We were about two weeks in Colombo and three weeks in the field. The main informational ingredients included:

³ For more about this, see Nick L. Smith (ed), Varieties of Investigative Evaluation, No. 56, New Directions for Program Evaluation, Jossey-Bass for the American Evaluation Association, Winter 1992.

- » Review of progress and evaluation reports related to the six NGO projects.
- » Meetings with leadership, project managers, trainers and field staff at the 4 NGO headquarters, 6 area offices, 1 nucleus farm and 2 training centers. (See Exhibits 1 and 2 for the information checklists that we used.)
- » Interviews with about 30 farmer-participants (plus some women home industry examples in the case of Agromart) to learn about the influence of the NGO project on their practices, incomes and overall outlook. (See Exhibit 3 for the interview schedule that we sought to fill out.)
- » Ad hoc stops at nearby farms, agencies, shops, businesses and markets to obtain a fuller picture of NGO-programme awareness and spread-effects, available local agroservices and market outlets, and the overall agri-development setting.
- » For several composite farm situations, constructed budget estimates of effects of NGO-stimulated changes on typical costs and returns, utilizing informed judgments of local field staff.
- » Piecing together of facts about actual numbers of active NGO groups and innovative farmer-members, so that estimates of area effects could be constructed. For one project (Agromart/South), projections of likely project coverage and slippages in coming years, utilizing field staff estimates.

More specifically, field interviews directly related to the NGO work included:

	Staff at programme centers	Group members	Others
ACDI/Agri-Dev gherkin project (mature)		2 near Kurunegala	Pickle Packer mgr and 1 non-member farmer near Puttalam
ACDI/Agri-Dev pineapple project (new)	Nucleus farm near Bibile	2 near Bibile 4 near Badal-kumbura	
Agromart projects north of Colombo (mature)	Chilaw office	7 near Chilaw	
	Kurunegala office	4 near Kurunegala	
Agromart projects in the South (new)	Hambantota office	6 society members	HNB banker providing loans to Agromart members
	Matara office		

	Staff at programme centers	Group members	Others
CARE Teacup project (completed)	Kandy	1 tea nursery farm and 2 small growers in low-income area near Kandy	
CARE SID project (new)	Anura-dhapura	1 chilli seed grower	Field staff at Ranjangana area cooperative re SID paddy seed growers
Nation Builders Association project in Kurunegala District (nearly ended)	Kandy hdq & training center near Kurunegala	6 members (including 2 group leaders) in 2 local groups	10 non-farmer members; officials in some government programmes

The coverage was not as evenly distributed among projects as might be desired. It proved hard to find group members on our own, even when directed to the right vicinity by NGO staff. Where the NGO staff did go with us to project sites, there was a tendency to be overly helpful! We had wanted to select interviewees at random, or at least talk with a cross-section of participating and non-participating farmers in the neighbourhood. Yet upon arrival we would find that a day's worth of interviewees had already been lined up, and that they tended to be the more impressive participants. Some farmers had gone out of their way to meet with us, and it would have been rude to change the plan. But in one sense, this was good. A truly random sample might never had enabled us to see the inspiring results that this sort of NGO programme could achieve when everything went well.

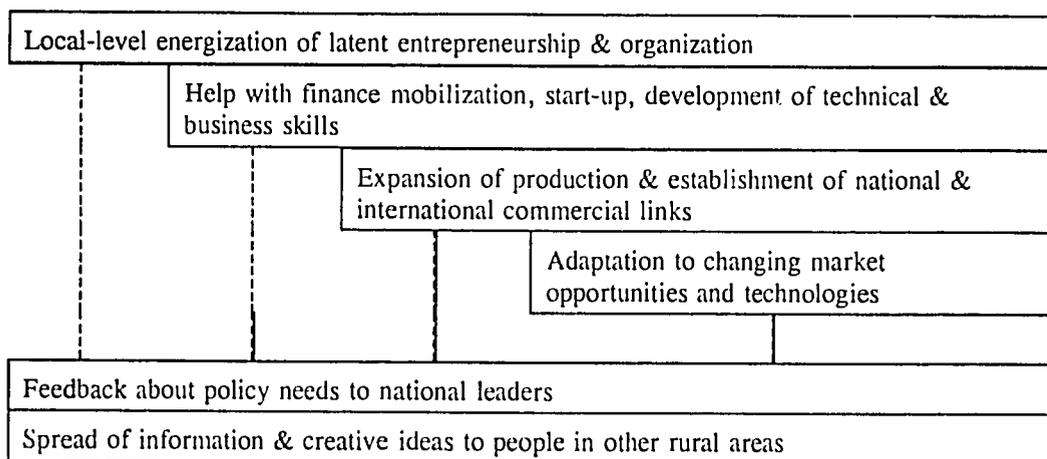
To demonstrate a more systematic approach, a return visit was made to two NBA locations in Kurunegala District. Random sampling was used to select several programme participants. A special questionnaire for nearby non-programme participants was used to find out whether they had made farming-system changes and whether the NGO work had had any influence on them. (See Exhibit 4.)

B. The Unique Features of Each Project

Before examining their effects on farmers and local areas, it is useful to have a picture of similarities and differences in kinds of project activities as well as overall magnitudes of project inputs and farmer participation.

B1. Kinds of project activities

Conceptually, NGOs might have any of several different roles in facilitating and speeding up small-scale agro-enterprise development:



Among the six agro-enterprise development programmes that we are discussing here, there are differences in functions emphasized by the NGOs concerned. It entails some personal judgment, but in the table below is the picture that we have after talking with people at project sites and offices as well as reviewing project documents (the more x's, the stronger the emphasis). We ask to be pardoned if we have unintentionally made some mistakes or omissions.

	Agri-Dev		Agro-mart	CARE		NBA in NWP
	Gher	Pine		Tea	Seed	
Stimulation of new local groups	xx	xx	xxx	xx	xx	xx
Links with existing farmer groups					xxx	
Community leadership skills			xx	xx		xx
Agricultural production skills	xx	xx	xx	xx	xxx	x
Home industry skills			xxx			
Business development skills	x	xx	xxx	xx	xx	xxx
Record keeping and financial planning skills			xxx	xx	x	xx
Use of own training centers			xxx	x	x	xxx
Frequent monitoring and guidance visits	x	x	xxx	xx	xx	xx
Use of own field staff	x	x	xx	xx	xx	xx
Involvement of nearby expertise in other organizations			xx	xx	xx	xx
Involvement of "outside" specialists	xxx	xxx		x	xx	x

	Agri-Dev		Agro- mart	CARE		NBA in NWP
	Gher	Pine		Tea	Seed	
Opportunities to get new ideas by visiting other places			xxx		xx	xx
Arrangement of start-up finance	x	x	xxx	xx	xx	xx
Access to "good" technology	xxx	xxx	x	xx	xxx	xx
Natural resource conservation	x	x	x	x	x	x
Help in linking to local or area markets	x	x	xx	xxx	xxx	
Effort to develop links to national or international markets	xxx	xxx	xx			
Help in negotiating with buyers	xx	xx				
Provision of market and outlook information						
Motivation and recognition of outstanding individuals			xxx			
Attention to disadvantaged rural areas			x	xxx		xx
Attention to women			xxx	xx	xx	xx
Attention to youth						xx
Attention to wellbeing of hired workers				x		
Preparations for self-continuation after the NGO help phases out	x	x	xx	xx	xxx	x
Systematic approaches for encouraging nearby spread effects	x	x	x	x	x	x
Efforts to tell others at national and regional levels about the successes and lessons learned	x	x	xx	x	x	x
Attention to systematic data collection, evaluation and improvement of approach as the work unfolds			x	xx	xx	

In panorama, the NBA, Agromart and CARE/TEACUP projects have been the most heavily involved in the farmer group start-up phases, the CARE/SID project is emphasizing links to existing farmer groups and services, and the ACDI Agri-Dev project is emphasizing commercial links to processors and exporters.

B2. Reported magnitudes of project inputs and farmer participation

Data from the NGO progress reports submitted to USAID show the following:

NGO and Project	Dates	No. of Groups or Units Formed	No. of People Benefiting	Project Investment (US\$1,000)
ACDI Agri-Dev gherkins (for making export pickles)	9/90-now	29 variety or location trials; 1 grower-exporter joint venture with small local groups; now shifting to a peoples company with 75 growers	2,450 growers, including association members and others affected; 430 farmers trained; 1,513 farmer visits	USAID 1,817 NGO & other 308
ACDI Agri-Dev pineapples (improved variety)		35-acre nucleus farm now selling shoots to nearby farmers and fruit to exporter	70 nucleus farm workers and some farmers trained; 50 applicants to be outgrowers	
ACDI Agri-Dev root crops		80 acres on nucleus farm planted to pineapples and root crops in coconut stands	20 farmers trained to be potential outgrowers	
Agromart in North Western & Southern Provinces	7/93-now	26 division-level societies	2,190 women and 640 men, of whom 1,300 have started agro and home enterprises	USAID 244 NGO 72 Other 39
CARE TEACUP (in low-income uplands)	7/89-6/93	152 smallholder groups in 16 societies	3,305 men & women, many of whom started tea seedling or tea leaf production	USAID 630
CARE SID (seed industry development)	10/92-now	7 seed grower associations (rice, chilli, vegetables)	240 potential seed growers trained; 40 growers have started; enough seed for 600 paddy farmers and 6,000 chilli farmers now being produced	USAID 505 NGO 15 Other 148

NGO and Project	Dates	No. of Groups or Units Formed	No. of People Benefitting	Project Investment (US\$1,000)
NBA Socio-Economic Upliftment in NW District	1/91-6/94	1 training center with hostels; 77 local groups in 8 divisions, linked to villages and minor irrigation works	1600 men and 724 women; training for some of these and also for youth	USAID 108 NGO 9 Others 119

C. Impacts of the NGO Projects at Producer and Area Levels

Though statistical averages are not possible, we have been able to derive a picture of NGO project effects for several contrasting types of farmer and home industry situations.

C1. Impacts on individual capital outlays and earnings

A summary of impacts of NGO-fostered changes on cash outlays and earnings of individual producers is shown below. Some of the men and women, notably those in the Agromart and CARE/Teacup Nursery groups, had actual records of their costs and returns. Some were able to provide reasonable information on the basis of recall. The impacts for some had to be constructed in farm budgeting manner (estimation of incremental costs and returns) with help from field staff who knew local farming agriculture. For a few farmers whom we met, information was too scant or the project too immature to make impact estimates.

Case Situation and Location	NGO	Added Cash Outlays	Added Net Earnings per Year
Woman vegetable grower near Chilaw	Agromart	Rs 900/yr	Rs 28,100 ⁴
Young woman handicraft producer near Chilaw	Agromart	Rs 5,700 start-up Then Rs 3,500/yr	Rs 38,250
Woman foliage-plant and cut-leaf grower South of Chilaw	Agromart	Rs 15,000 start-up Then Rs 5,000/yr	Rs 558,000
Woman raising goats for milk near Chilaw	Agromart	Rs 5,600 start-up	Rs 43,200

⁴ In November 1994, the rate of exchange was US \$1.00 = Rs 49.

Case Situation and Location	NGO	Added Cash Outlays	Added Net Earnings per Year
Fisherman who became broiler grower (1,000 birds/batch) near Chilaw	Agromart	Rs 7,700 start-up Then Rs 384,400/yr	Rs 74,500
Young milk and pig producer near Kurunegala	Agromart	Rs 9,100 start-up Then Rs 10,800/yr	Rs 32,300
Woman jam and sweets manufacturer near Kurunegala	Agromart	Rs 6,000 start-up Then Rs 51,000/yr for jars etc.	Rs 31,000
Woman ornamental-plant grower near Kurunegala, newly shifting from hobby to sales	Agromart	Rs 650 start-up Then Rs 750/yr	Rs 6,000
Timber cutter near Kandy now growing 5/8 acre tea to augment earnings	CARE	Rs 1,400 start-up Then Rs 2,100/yr	Rs 5,000 anticipated
Day labourer near Kandy now growing 1/4 acre tea to augment earnings	CARE	Rs 1,225 start-up Then Rs 550/yr	Rs 2,600
Woman tea-seedling grower near Kandy	CARE	Rs 6,000 start-up Then Rs 2,300/yr	Rs 17,800
Cultivator of improved paddy near Kurunegala, 2 acres, one crop per year	NBA	Rs 12,600/yr	Rs 23,400
Progressive farmer near Kurunegala who started 2 acres vegetables instead of Yala season paddy	Non-member near NBA area	Rs 20,000 start-up for water pump	Rs 15,300
Paddy farmer now growing 1 acre cucumbers one season near Kurunegala	NBA	Rs 5,000/yr	Rs 18,200
Chilli seed grower on idle land near Anuradhapura, 1 acre, Yala season, upland	CARE	Rs 34,000/yr	Rs 58,200
Padi seed grower in Rajangama irrigated area near Anuradhapura, 1 acre, two seasons	CARE	Rs 11,000/yr	Rs 22,700

Case Situation and Location	NGO	Added Cash Outlays	Added Net Earnings per Year
Gherkin grower near Puttalam, 1/4 acre	Agri-Dev	Rs 500/yr (not including inputs from packer)	Rs 14,500
Grower planting idle 1/4 acre into Kew pineapples near Bibile	Agri-Dev	Rs 6,000 start-up Then Rs 500/yr	Rs 41,500 anticipated
Grower shifting from cane sugar to Kew pineapples near Badalkumbura, 1 acre	Agri-Dev	Rs 67,500 start-up Then Rs 16,500/yr	Rs 150,500 anticipated
Woman chilli and leaf vegetable grower near Hambantota	Agromart	Rs 360 Also needs Rs 6,000 pump	Rs 311,400 anticipated
Young woman banana and vegetable grower near Hambantota	Agromart	Rs 9,225 start-up Then Rs 500/yr	Rs 33,500 anticipated
Young woman mushroom grower near Hambantota	Agromart	Rs 5,300 start-up Then Rs 2,350/yr	Rs 87,650
Young woman vegetable grower, subsistence dry-land farm near Hambantota	Agromart	Rs 450	Rs 795 plus better family diets

Actual or potential earnings gains from some specialty enterprises like mushrooms, ornamental plants, broilers and pineapples were striking. New technologies with the more usual fruits, vegetables and field crops brought incomes that were markedly greater than usual for non-commercial rural areas, but not leading to high living levels by urban standards.

Yield and market uncertainties were often mentioned. Chillies and gherkins, for example, were regarded as high-paying but high-risk crops. Some farmers whom we met were ready to take the risk; others not. There was concern by NGO staffs that some inexperienced project participants were jumping too fast into new crops or varieties and specializing too much, rather than gaining experience gradually and retaining some diversification. At the local farm and project levels, there seemed to be few solid facts at hand about odds of yield setbacks, or about price trends, seasonal patterns, and market location differentials.

Initial financial outlays for land improvement, planting materials and labour were a major hurdle for many. The smallish group revolving-funds of some programmes were not regarded as enough for start-ups of intensive specialty enterprises. The NGO roles in teaching how to make financial plans, organizing loan-guarantee groups, and approaching

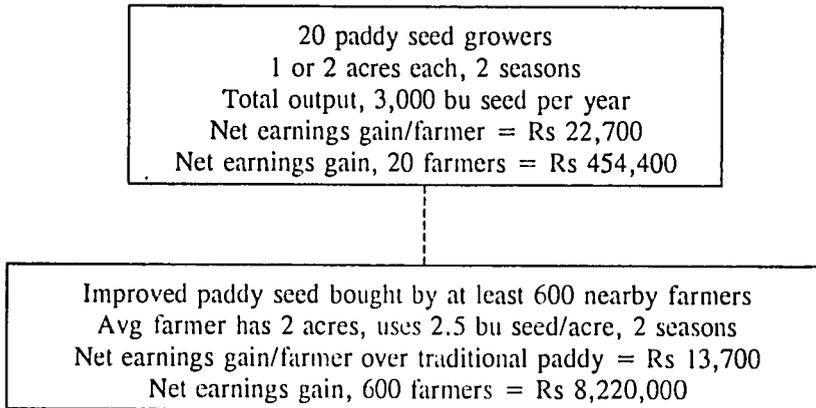
financial institutions were viewed as important. It was encouraging to learn that several of the new agro-entrepreneurs had been able to "graduate" from such NGO and group help after two or three years; they were financing subsequent operations and expansions through reinvestment of profits and individual approaches to loan sources.

The combination of agricultural and home-industry enterprises in the Agromart societies provided opportunity to make comparisons. In the more outlying locations, like the Hambantota area, agro-enterprises seemed to attract women members the most. In places like Matara near tourists, cities and commerce, home industries and handicrafts were dominating the members' interests. Except for a few Agromart members who were unusually expansion-minded, the home industries and crafts were being viewed as only a part-time supplement to family income to be meshed with homemaker roles. In contrast, the women agro-enterprise developers tended to go into things in a bigger way.

C2. Aggregate direct effects on farming areas

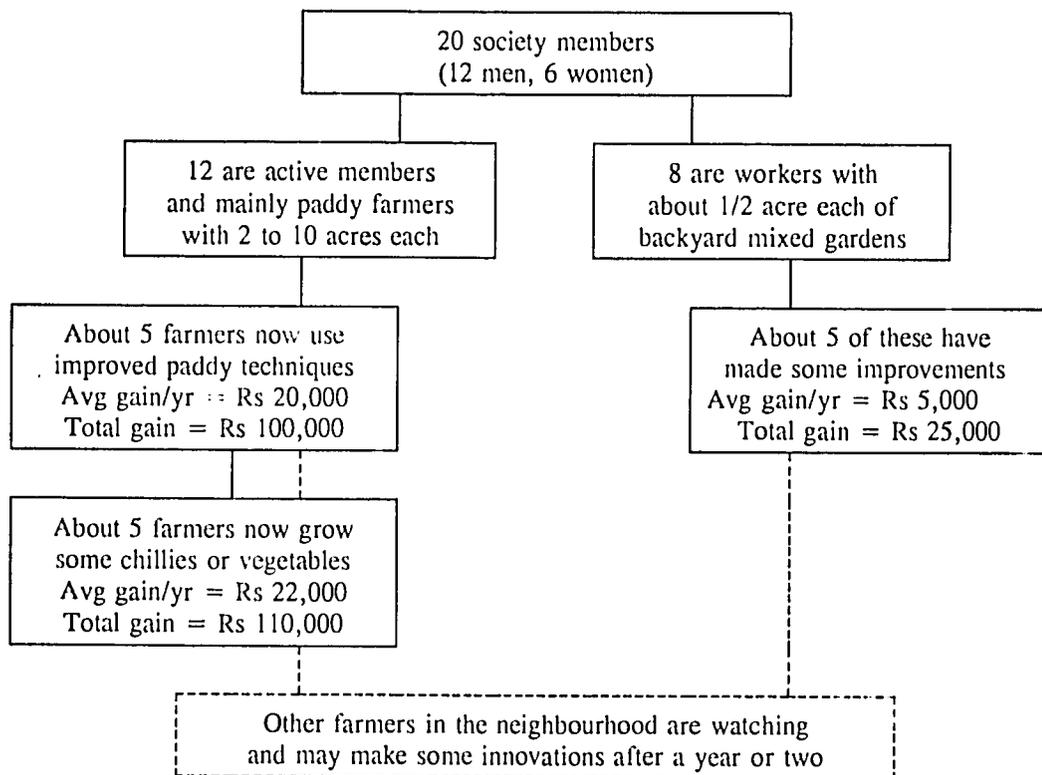
The total numbers of groups and farmers in the USAID reports reflect NGO contacts (inputs) of one kind or another, but do not indicate how many are active group participants and, of those, how many have introduced new practices or enterprises as an outgrowth. By piecing together information from the farmer interviews, the incremental costs and returns budgets, NGO field staff and group leaders, and the reports, we have constructed estimates for three of the NGO programme sites. They are shown diagrammatically on the following pages:

Situation 1 First year of paddy seed production, with CARE/SID Project assistance, in the Rajangama irrigation area near Anuradhapura. Working with the area cooperative society, which helps with transport of the harvested seed to the cleaning facility, seed certification procedures, storage and sales to local farmers. The seed growers are shifting from traditional paddy production to 1) improved paddy varieties and more intensive practices and 2) sale of output as certified seed. About 3/4 of them have required bank loans to get started. They are retaining considerable amounts of the improved paddy seed production for household rice consumption. The process of transporting, cleaning and drying the seed paddy causes as much as 15% loss in weight.



The paddy seed producers group in this location is talking about a 50% increase in seed production this coming year.

Situation 2 One of the 77 Nation Builder Association societies in Kurunegala District. Two-season paddy area with tradition-minded farmers. NBA has formed a local group to work together on renewal of minor irrigation works, road repair and some other improvements. Training courses, field worker visits, and small revolving funds have induced some farmers to adopt improved paddy technologies and/or produce some chillies and vegetables. Some funding and technical help from the government's Agricultural Services. This and other NBA groups have begun to involve village youth in livestock husbandry and leadership training courses.



If this is representative of other active NBA societies and all 77 are active, total annual net income gains stemming from the NBA project would be:

$$(Rs\ 100,000 + Rs\ 110,000 + Rs\ 25,000) \times 77 = Rs\ 18,095,000 = US\$ 370,000$$

Total USAID investment in the project is:	Rs 5,287,000 = US\$ 108,000
Reported NBA contributions have been:	Rs 441,000 = US\$ 9,000
Reported farmer and government contributions (apparently mostly for revolving funds and materials for irrigation renewal) have been:	Rs 5,825,000 = US\$ 119,000

[Used here is the November 1994 exchange rate, approx. US\$ 1.00 = Rs 49]

Situation 3 In late 1993, as part of new USAID-supported undertakings in Sri Lanka's Southern Province, the Agromart Foundation began a programme in Hambantota District with a small office, two field officers, a staff assistant and a coordinator, plus typist, peon and a motorcycle. Nearby agricultural and business specialists helped to provide the training. Taking possible "slippages" into realistic account, we developed the following projections with the Agromart field office staff about what might be accomplished:

	Activities	Forecast Results
Year 1 (1993-94)	In 5 new AGA divisions, 500 original society members (80-85% women) given entrepreneurship training, 40 given econ literacy training, 1200 person-units of technical training; monthly on-site visits and society meetings; selections for trade-fair and annual competition.	<p>** About 350 persons making some changes</p> <p>** 108 active projects (about 70% agro; 30% home industries), with avg. net income gain about Rs 2000 per mo. x 6 mos. = approx. Rs 1,296,000</p> <p>** 3 start-up and peak-season jobs added per project: 108 projects x 3 hired workers x 30 days x Rs 75 = approx. Rs 729,000</p>
Year 2 (1994-95)	Continue help to the original 5 societies. Some active members move or drop out, but others who have been cautiously watching become active. Staff more experienced than before, have a second motorcycle for more mobility.	<p>** 100 active projects, with avg. net income gain from before Agromart about Rs 3000 per mo. x 12 mos. = approx. Rs. 3,600,000</p> <p>** Peak-season jobs from Year 1 projects: 100 projects x 3 hired workers x 20 days x Rs 75 = approx. Rs 450,000</p>
	Introduce Agromart "package" into 4 new AGA divisions.	<p>** 80 new active projects with avg. net income gain of Rs 2000 per mo. x 6 mos. = approx. Rs 960,000</p> <p>** Start-up and peak-season jobs from the new projects: 80 projects x 3 hired workers x 30 days x Rs 75 = approx. Rs 540,000</p>
Year 3 (1995-96)	Continue help to Year 1 and 2 projects (but spread more thinly)	<p>** 165 active projects with avg. net income gain of Rs 3000 per mo. x 12 mos. = approx. Rs 5,940,000</p> <p>** Peak-season jobs from the Year 1 and 2 projects: 165 projects x 3 hired workers x 20 days x Rs 75 = approx. Rs. 742,500</p>

	Activities	Forecast Results								
	Start another round of projects in the original 5 divisions (new members may be less responsive and capable than the first ones)	<p>** 60 new active projects with avg. new income gain of Rs 1800 per mo. x 6 mos. = approx. Rs 648,000</p> <p>** Start-up and peak-season jobs from the new projects: 60 projects x 3 workers x 30 days x Rs 75 = approx. Rs. 405,000</p>								
<p>Projected 3-year cumulative:</p> <table data-bbox="322 548 884 677"> <tr> <td>No. of farmers benefitting</td> <td>248</td> </tr> <tr> <td>Person-months of hired work</td> <td>1,274</td> </tr> <tr> <td>Total gains in net income</td> <td>Rs 12,444,000</td> </tr> <tr> <td>Total hired worker wages</td> <td>Rs 2,866,500</td> </tr> </table>			No. of farmers benefitting	248	Person-months of hired work	1,274	Total gains in net income	Rs 12,444,000	Total hired worker wages	Rs 2,866,500
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C3. Impacts on Nearby Hired Labour

For conversions from idle or underutilized land, it was common for a new small-farm agro-enterprise to provide seasonal work opportunities for 1, 2 or 3 more hired labourers than before. This was in addition to family labour. The needs are for initial-year land preparation and crop establishment, hand weeding and harvesting.

A daily wage about Rs 75 was normal. Sometimes Rs 100 was mentioned. Food for work was another arrangement mentioned. Day labourers in the neighbourhood were often used, and we observed friendly informal relationships with them. Outside crews or off-duty estate workers were sometimes brought in for land clearing or for the more delicate husbandry operations.

Involvement of brothers and sisters, parents and other relatives in capital investments and work operations related to the new enterprises was common. Obligations, compensation and repayment arrangements were usually informal and not clearly defined. This may work for a while, when the enterprise is just starting up. But as the operation expands, arrangements among family members need to be clarified in business-like manner if misunderstandings are to be avoided. We don't know whether any of the NGOs have yet given attention to this.

There was not much evidence of farmer or NGO attention to enhancement of worker employment conditions, safety, or entrepreneurial opportunities. In fact, mention was made of one home-industry owner who dismisses her workers after some time, lest they learn too much and start competitive businesses.

The Agri-Dev nucleus pineapple farm, a 30-acre operation now selling Kew shoots for planting as well as fresh fruit for export, has a regular work crew of about 50 men and women. Some have to walk or bike several miles to work, as the farm is at the end of a side road next to the jungle. The farm is run like an estate, with morning muster and formalized

work conditions. At the same time, the manager seems to take personal interest in the nearby villagers' wellbeing, like sometimes offering them rides or taking them to town for medical treatment. A number of the workers who live near the nucleus farm could be in line to become small pineapple out-growers if start-up financing can be arranged.

The CARE Teacup project was in highland areas with only marginal farming potentials and many low-income families. The two older growers we visited were day labourers who had holdings on steep hillsides of only 0.25 acres. They still had to do off-farm work, but for them the new tea plantings were a major income augment. Equally important, this side-enterprise experience has apparently stimulated them to make some other changes. One man is adding a room to his small house. The other is thinking of becoming a timber-cutting contractor himself instead of continuing to work for another contractor.

The young housewife in the same village who has become a thriving tea seedling producer via the CARE project involves several relatives and friends in the semi-skilled husbandry of young plants. Their only nearby alternative besides traditional farm work would be chipping rocks in the local quarry on a piece-rate basis. This illustrates how one benefit to workers can be less drudgery and better use of their minds.

C4. Environmental Impacts

Some of the NGO training courses include attention to soil-conserving practices, multiple-cropping systems, green manure, water run-off management, integrated pest management, low-input agriculture, and safe use of pesticides. Here and there on the participating farms, one sees a bit of this in practice. But by and large the new agro-enterprises emphasize intensive land use and maximum near-future profits. We noticed that budding entrepreneurs, even those with sloping land, tended to project future profits on the basis of intensive cropping year after year. It was not clear whether they were unaware that soils would deteriorate, pest infestations might occur, and yields would decline unless they use crop rotations and other conservation practices, or were simply ignoring the danger in their quest for more income.

We saw no examples where improved handling of manure wastes from livestock enterprises in populated areas is receiving attention. One energetic young entrepreneur had parlayed his father's small one-cow holding into a site for several hundred broilers along with a number of pigs and milk cows. It was on a sloping hillside that drained into a pond and stream that ran along rather dense clusters of houses. There was liquid run-off from his livestock sheds, and he was spreading the solid waste on the open hillside. We hope that the NGO concerned will alert him to the potential community health problem that he may be creating and offer technical help in finding a solution.

Some NGO group members near Chilaw are earning high rates of return from prawn culture. Some villagers from NGO programme locations near Krunegala are apparently commuting and earning good wages by working on prawn farms near the coast. According to news reports and some of our contacts, experts are starting to worry about the effects of the Sri Lankan prawn ponds on irrigation systems, mangroves, and other marketable species such as crabs.

There would seem to be need and opportunity for more attention to environmental concerns as integral part of small agro-enterprise development project design. While one could carry this further than is economically practicable, many of the desirable practices would not reduce near-future earnings very much, and some would even reduce initial investment costs.

At least one of the NGOs now has separate agro enterprise development and agro-environmental improvement projects operating out of the same field office. While there may be some overlaps, they are working mostly with different sets of farmers in different locational and institutional contexts. It would be neat if the NGO and the donors concerned could find a way to mesh these activities better.

D. NGO Inputs Seen as Most Effective

The study brought to the surface a several features of the NGO programmes that appeared to be especially useful or innovative.

DI. How farmers felt about it

The 15 farmers and rural home-industry people in the various programmes who responded to our question about the NGO activities that had been most helpful to them mentioned the following (some gave two or more answers):

15 people	Technical training and/or visits by the field officers
7	Help in obtaining credit
4	Help in making marketing contacts or arrangements
3	Help in providing production inputs
2	Training in financial planning or record keeping
2	Stimulation of interest in developing an agro-enterprise
2	Encouragement of perseverance
2	Enjoyment of being in a group
2	Opportunity to have a learning trip to another country
1	Acquiring better organizational abilities

Seven mentioned problems or disappointments stemming from the NGO associations:

3 persons	Disappointment that the project and technical help had ended
3	Need for help in finding new or more secure market outlets
1	Had been abandoned by the NGO-arranged contract buyer
1	Some women were hesitant to join the local group

D2. Our observations

We ourselves noticed a number of NGO programme features that appear especially appropriate for consideration by others:

1. A conscious plan for phasing out (CARE/SID)
2. Flexibility about which local entities to collaborate with (CARE/SID)
3. Involvement of individuals in other agencies to help teach, partly as a way to get them interested and aware (NBA, CARE, Agromart)
4. Utilizing well motivated retirees (Agri-Dev)
5. Preparation of farmers to deal with banks, processors, etc. on their own (CARE, Agromart)
6. Building around neighbours' interest in what's going on (Agromart/South neighbourhood "pocket meetings" being proposed)
7. Competitions and awards (Agromart, including award trips to Thailand)
8. Trips to see what others are doing (Agromart awardee trips to Thailand and bus tours of Sri Lanka; CARE/SID cross-visits to nearby areas)
9. Youth motivation, education and involvement (NB)
10. Programme advisory groups (NBA, national and local leaders; Agromart and Agri-Dev, national leaders)
11. Signboards (Agromart has for field offices, and Agri-Dev for its pineapple farm, but some NGO field centers are hard to find. There could be similar identification of local groups and progressive participants.)
12. Entrepreneurship training, record books and financial planning (Agromart, NBA, CARE/TEACUP and lately CARE/SID)
13. Organizational and community leadership development (NBA, CARE/TEACUP, Agromart)
14. Attention to soil conservation and environmental considerations (most NGOs, to some extent in training but not common on the farms)

E. Impacts on Agribusinesses and Bankers

Having been limited in geographic scope, and concerned mostly with formation of producer groups and start up of new enterprises, it cannot be said that these NGO activities

have yet had tremendous impacts on agribusiness sales of inputs or purchases of commodities. Still, there are indications that this could add up to a lot if organization of farmers associations is expanded and the more progressive groups begin to "graduate" from the start-up phase to a more commercialized phase of enterprise development.

The ACIDI Agri-Dev work with gherkin producers has had the most direct links to commercial buyers and processors. From the processors' association standpoint, it has had instrumental start-up roles in 1) testing gherkin varieties and agronomic methods for producing gherkins, 2) mobilizing at least 1,200 small farmers, and 3) teaching the farmers how to produce gherkins.

The current Agri-Dev work with coconut inter-cropping and pineapples may well result in a nucleus farmer cum outgrower approach that is attractive to buyers as a means of obtaining high quality produce on a dependable basis.

The CARE TEACUP work in the hills near Kandy brought several hundred small tea growers onto the scene who have been taught how to grow and harvest higher quality tea leaves than has been usual.

The Agromart programme has generated several specialty enterprises -- like mushrooms, broilers, ornamental plants and fruit preserves -- that are being well received by nearby processors, retail outlets and hotels.

The CARE SID project apparently is generating interest among budding Sri Lankan seed-supply businesses in linking to the seed-grower groups.

The effects on suppliers of fertilizer, pesticides, farm equipment, sacking materials and other inputs are more diffuse and elusive. None of the shopkeepers with whom we talked were aware of astounding increases in business as outgrowths of the NGO work. Yet were the farmer organizations and small agro-enterprises to expand, this could become significant.

The potential effects on banks in outlying places may be starting to add up. Among the agro-enterprises that we studied, the median start-up capital requirement was about Rs 6,000. The median annual cash outlay for the new enterprise was about Rs 2,000. Use of bank credit was frequent. A local farmers group with 100 nominal members might, after three or four years, have something like 40 on-going enterprises and 10 new start-ups a year. This would amount to group-wide needs of Rs 140,000 a year.

Bankers with whom we talked were attracted also to the additional savings deposits that the new agro-enterprises might generate and, in fact, were advertising and offering special prizes for new accounts.

F. Lessons Gained

Our interviews and observations have revealed a number of characteristics of the participants in the NGO agro-enterprise development projects, as well as the NGO activities, that can be very instructive to programme designers, policymakers, businessmen and educators.

F1. Lessons being learned about farm people

Our observations about the local people themselves are:

1. In general, one gains an encouraging picture about the latent entrepreneurial interests and capacities of men and women in Sri Lankan farming areas. Of course, many are not inclined that way, or are not in family situations where they can take risks. But in low-income as well as the more favoured areas there seems to be frequent readiness to go into new ventures and to work hard, if pointed in the right way and given a helpful nudge at the start. Striking examples of individuals who have "blossomed out" as a result of training, financial backing and initial guidance are to be found in most of the NGO agro-enterprise programmes.
2. Participation in local groups appears attractive if it helps to gain access to new knowledge, start-up inputs and finance, and market outlets. At the early stages, there have been high rates of participation in meetings to share experiences and discuss solutions to problems, especially if the members live close to one another and are not too widely scattered. Later, there is a tendency for some to strike out on one's own. But there also are those who thrive in having leadership roles in the local groups and helping neighbours to start agro-enterprises of their own.
3. Training in entrepreneurship, financial planning and record-keeping appears to do a lot to generate the informed confidence on the part of financiers as well as the farmers themselves needed to launch or expand a specialized enterprise. Some of the NGO programmes that initially focused on training in farming and post-harvest practices are now emphasizing business management and marketing training as well. In not too many countries would you be able to find small farmers who can show well kept records or make financial calculations like those we have visited here in Sri Lanka.
4. By and large, the agro-entrepreneurs who have worked with the NGOs are not irresponsible borrowers and spenders. Instances of irresponsibility in repayment of loans facilitated by the NGO programmes seem infrequent. Most of the early profits are channeled back into business expansion. Spending usually takes the form of things beneficial to other family members, such as a better house and savings for the future.
5. Reinforcement by other family members seems more common in Sri Lanka than in some cultures. This may deserve more attention. The NGO programmes tend to play up training, group membership, and awards for a single person in a family. Yet when one visits the farm, spouses, brothers and sisters are often helping with the work, and in the background there may be a father and mother who have been providing quiet

encouragement. Maybe they themselves would like opportunities to learn and "grow." In a couple of instances that we saw, husbands who belonged to a predominantly women's group asserted that their own wives "weren't interested" in the group, yet the wives were hard-working partners in the agro-business.

6. The NGOs are finding some well motivated persons with special capabilities in the rural areas that they can draw upon to help with the programmes. Within the local government agencies, which as entities may not be inspiring to work with, good individuals are being found who are able and ready to contribute to the NGO training work. They do not always expect special compensation.

One untapped resource may be retired managers and specialists who have had their fill with routine or bureaucratic work and who would like to make creative contributions to their home areas. For example, the Agri-Dev pineapple project near Bibile has hired a retired estate crops accountant to handle its accounts. As a matter of personal interest, he has spread word about the availability of improved pineapple sprouts and potential market outlets to more than 60 farmers in his home sugar-cane area, some miles away. He is helping the interested farmers to obtain the needed finance, plant material and technical guidance, as well as assisting them with financial records.

Such retired people can bring mature judgment and good contacts to the NGO work. They may also have more flexibility to adjust to the ebbs and flows of project staffing needs than do the usual cadres of young field assistants.

7. Quite a few men and women in the rural areas, while lacking the risk propensity or resources to establish agro-enterprises per se, have aptitudes to do more than day labour. A productive adjunct to the NGO programmes might be to prepare some of these persons to become providers of semi-skilled services needed by the emerging agro-enterprises in the vicinity -- for example, fruit tree grafting, construction of small soil-conserving water drainways, IPM-type monitoring and safe pesticide application, and animal vaccination.
8. At the farm and local programme levels, there seems to be little knowledge about national and world market trends and opportunities, potential buyers, and how to contact and negotiate with them. Members of some of the local farmer groups are "shooting in the dark" when it comes to selecting agro-enterprises to start or expand. One or two of the NGOs have helped local farmer groups to establish contact with agents of a particular buyer of, say, gherkins or pineapples. But these arrangements are very shaky from season to season. The small growers and local NGO field assistants don't know where to turn next if the previous buyer fails to show again. They need information and help from market specialists who know their way around national commercial spheres.
9. The first year or two at least, there is a tendency for small agro-entrepreneurs to think that everything will go well, without allowing for possibility of bad weather, market and price disappointments, family illness, etc. Some NGOs and bankers are serving very useful roles of cautioning farmers to guard against such risks -- to move only gradually into new enterprises, to diversify, to use their earnings wisely, etc.

F2. Some NGO tendencies that could hurt future effectiveness

As seen in this report, the NGOs working with small agri-enterprises have much going for them. They are using innovative approaches, have "lean" management and facilities, and have produced inspiring examples of entrepreneurial development. Yet NGOs, just as any other kind of entity, need to guard against becoming too content in their ways. Among the NGO programmes studied here, there are some possible tendencies that lead us to mention the following dangers:

1. **Danger of thinking you're the only good frog in the puddle** Need to learn from and work with people in other private, government and non-profit organizations.
2. **Danger of falling in love with your approach** Need to learn from experience, keep your eye peeled for fresh ideas, and improve your approach accordingly. Also, times change (e.g., urbanization, declining donor funds), creating both new opportunities and new challenges.
3. **Danger of taking credit for everything that happens** The changes taking place in a farming system of agribusiness may have stemmed from several influences, only one of which is the NGO's programme.
4. **Danger of playing up the heroes too much** Tendency to take VIP visitors to the same successful examples all the time. One NGO in our study consciously has taken visitors to different farmers and communities each time. But the more common tendency is to resist efforts of visitors and analysts to decide on their own where to go, whom to see and what to ask.

Besides giving a distorted picture, this could be discouraging to others in the programme who are coming along well but less spectacularly. Also, what about the other family members, the hired workers, the field worker, the banker, etc. who have reinforced the "hero's" growth?

5. **Danger of creeping elitism** It's hard to let go of successful examples, even after they have outgrown what your programme can do to help. You know you ought to let them "graduate" and you take on some new beginners. But these new beginners may have weaker educations, fewer resources and less entrepreneurial vigour than the first groups you worked with. And besides, they are likely to be located farther away. So, just as some extension programmes in the U.S. and elsewhere have done, you tend to stick with what rural sociologists call the "innovators" and "early adopters," and ride their coat-tails to further success.
6. **Danger of losing clear sense of purpose** There is need to keep in mind whom you're trying to help and what your "comparative advantages" are. Some flexibility in keeping with changing times is of course necessary. But, especially in times of declining donor funds and new political fashion, it is tempting to "sell out" to where the money and high-level support are. In terms of Esman's "institution building" framework, one has to retain some sense of "doctrine," i.e., consistent focus and constituency.

In the case of agri-enterprise NGOs, one particular "rub" may arise when seeking to facilitate smallholder production of new commodities and links to commercial marketing, processing and export channels. Are you mainly trying to help the commercial entities, the smallholders, or compatible meshing of the two? Isn't there a basic conflict of interest when you purport to be aiming primarily to help the smallholders but you buy into and share profits of agri-processors and exporters?

7. **Danger of growing larger for its own sake** Closely related to #6 is the question of how large to become? The non-profit nature of NGOs makes it easy to expand geographic or functional scope without careful analysis. Instead of profits, the NGO leadership's "kicks" may come from being in charge of an ever-growing organisation.
8. **Danger of not having a clear picture of how the NGO work fits into emerging market trends and structure** Sometimes promoting certain products at the local level without seeing the larger supply and demand picture at area, national and international levels. When encouraging smallholders to produce seed and plants, may not be clear how this fits into the larger system that could be most viable.

G. Sustainability and Spread-Effects

Donors who review NGO programs are likely to raise such questions as: "So you've shown us some exciting success stories, but how lasting will the results of your work be? And is any of this rubbing off onto other people?"

G1. Likely post-project sustainability

When discussing "sustainability," we ought first to ask: sustainability of what? the farmer groups? the new agro-enterprises? continued growth of farm earnings? the new entrepreneurial spirit? We observe a tendency in some circles to make sustainability of the farmer groups themselves as an end in itself. Agro-enterprises go through stages of development, maybe something like:

*Adjustments to market and
and technology changes*

*Commercialization
and expansion*

*Start-up inspiration, training,
organization and finance*

The NGO programmes and, in turn, the original farmer groups can be likened to rocket boosters that help launch the agro-entrepreneurial spaceships. On hopes that they will not be needed forever for self-sustained flight of innovative farmers. New kinds of booster rockets -- i.e., new kinds of NGO and farmer group roles -- may help at later stages.

So farmer abandonment of the original groups, enterprises or marketing arrangements is not necessarily a sign of project failure. Nor is an NGO shift from one method of approach to another, as useful lessons are being learned. It is in this light that the following observations about sustainability are presented:

Agri-Dev Gherkins | The neighbourhood grower groups, area-wide growers association, and contracts with the original pickle processor may or may not survive as such, but many of the farmers will continue to sell gherkins to one buyer or another. Some farmers have become discouraged with the buyers' agents and their undependability, and are shifting to other new crops or back to what they were producing before.

Agri-Dev Pineapples | The nucleus farm seems on the road to reasonable success as a supplier of shoots and fresh fruit, especially if a multi-year arrangement can be made with one or more exporters. The nearby juice factory is planting Kew pineapples on its lands. About 60 small farmers have bought or requested shoots. More may be interested, but they worry about the marketing uncertainties.

Agromart | Several of the Agromart entrepreneurs and societies seem to be thriving. Some members -- especially those with unique niche enterprises -- may skip meetings and "pull away" from the societies, once they've gotten a good start. Others, being proud of their achievements, are taking leadership roles and want to share their insights with new members.

CARE Tea | CARE has had some follow-up contacts with the seedling and leaf producers, and is encouraging them to continue and improve. It is not certain whether the community groups will want to continue and do other things together. The longer-run picture is that these small tea enterprises are only supplementary income sources; as CARE itself emphasizes, most young people in this hilly area will need to look to off-farm career and business possibilities.

CARE Seed | It has been difficult in the North and East to provide organizational and technical support, so some of the seed-producer groups are shaky. Those farmers who have started to produce seeds are continuing with enthusiasm. Farmers seem to appreciate the readier access to improved, reasonably priced seed, and demand seems to be growing. CARE studies like a current CARE seed-marketing survey, and its emphasis on keeping cost-returns records, will help strengthen efficiency and responsiveness to changing demands for seed.

NBA in NW District | If, as expected, USAID funding ends after 1994, NBA will withdraw its work and field staff from this area. There will be a good training center to serve as an area hub, but the equipment may be removed and used elsewhere by NBA. The local groups meet regularly and have area-wide interactions through their leaders. The group members seem rather tradition-minded and not strongly entrepreneurial. But they want to continue technical, citizenship and leadership training, with emphasis on helping youth to develop in a positive way. The monk in charge of the training center is seeking funds to do this.

G2. Spread-effects to nearby areas

Our findings suggest that more could be done to enhance spread-effects of the small-scale agro-enterprise development, and innovative approaches that NGOs and other groups are using, both locally and in Sri Lanka as a whole. When we sought directions in the next hamlet or within a mile or two away from some NGO group sites, it took some doing to find a person who knew of the NGO work or individuals associated with it. NGO staff in the central and field offices seemed to have only limited information about what other NGOs were doing.

Some adjacent farmers appear to have been attracted and influenced by the NGO field officer visits and the farming-system changes taking place. When we visited the sites, it was not uncommon for some neighbours to follow us around and make informed contributions to the discussion. Most NGOs have encouraged neighbours to join the local group if they become interested even two or three years after it has started. The NBA people tell of one "stubborn" farmer who stood on the sidelines with a critical eye for three seasons. He finally joined the group and adopted new paddy practices as a result of personal attention given by the field officer and the spirit of sincerity conveyed to the farmer. When one asks an innovative farmer about his or her influence on others, a frequent answer is that several neighbours have stopped by, and one or two have made farming changes as an outgrowth of that.

Spread-effects seem to be limited when members of an NGO society are scattered throughout a whole division. Though it covers more area, there isn't a "critical mass" of

visibility and involvement in any one locality. Having to travel several kilometers to attend society meetings tends to reduce active participation and interest of potential new members in joining. The NBA project in Kurunegala District and the CARE TEACUP work near Kandy have emphasized neighbourhood groupings, with participatory links to larger associations. Agromart, in its new programme in the South, is proposing to broaden participation and spread-effects by having neighbourhood "pocket meetings" as adjuncts to the divisional societies.

Especially if the "scattered membership" approach is used, one way to enhance spread-effects may be to have signs at the farm gates to tell about the innovations and to invite passers-by to talk with the farmer, see his records, etc. As has been done in Malaysia and perhaps elsewhere in years past, status could be attached to this by designating unusually good participants as "Master Farmers" (or "Master Entrepreneurs") and showing that on the signboards.

The CARE seed programme is using cross-visits among participating groups to enhance sharing of new ideas and skills. On a broader scale are the annual Agromart competitions and trip awards -- to Thailand for the top winners, and a bus tour around Sri Lanka for other winners. Perhaps some is already being done, but it would seem useful to prepare technically oriented videotapes or slide presentations based on the tours to expose wider audiences and future group members to fresh ideas and the knowledge needed to get started. The present "success story" write-ups are inspirational and good for NGO public relations but tend to neglect the technical-learning and lessons-learned side.

One doesn't hear too much about on-farm trials, demonstrations or field-days among the NGOs. These are more common in large project areas like Mahaweli System B. Such activities can help field officers and specialists to interest and teach more people. They are particularly effective if timed well with growing seasons and if meshed with a "social marketing" (integrated communications) approach that utilizes posters, radio, TV, newspaper write-ups and other means to announce the events as well as to give the technical details afterwards. A very innovative complement can be involvement of school children in preparations for these activities, with special view toward their becoming excited by prospects for applying science, communications, graphic skills and other modern-day subjects to agro-enterprise development.

One of the NGOs, Agromart, has had annual trade fairs at Chilaw, with display booths for the member-producers of the best farm and home-industry products from all of its societies in Sri Lanka. Attendance is in the hundreds of thousands, with people coming from Colombo and other places throughout the country. While the main aim is establishment of commercial marketing links, catalyzation of broader interest in agro-enterprise undertakings would appear to be an important by-product.

At local levels, inclinations of some farmers, society leaders and field staff to be of community service, even after the USAID-assisted projects have ended, may turn out to be an important spread-effect ingredient. We have met several society and FO presidents who are devoting considerable personal time to growth of their groups and encouragement of new members to take part. The Agromart award winners and others with outstanding enterprises seem to be generous with their time to explain things not only to VIP visitors but to local people who express interest as well. The accountant with the Agri-Dev pineapple farm has on

his own time contacted more than 60 farmers near his home community about pineapple outgrower possibilities, is helping the interested farmers to get the young plants and bank credit, and is helping some also with financial records and management. Among the technical staff who have been with the USAID-assisted projects that are closing down, several will be going back to government posts where their new ideas might be used. Some others are thinking about public-service undertakings of their own to help reinforce further small-farmer enterprise development.

G3. Group members and nearby farmers compared

After doing the overall survey of NGO programme participants, we went back to one of the locations -- the areas of the Kurunegala District in North Western Province where the Nation Builders Association has been working -- to get some idea whether the NBA group members were markedly more change-minded than nearby farmers. (It would have been desirable to do this for several programmes and places, but there simply wasn't time.) We chose six members at random from membership lists of two local groups and in more haphazard manner (no list was available) selected 10 farmers in similar agro-ecological situations from 1 to more than 10 km away. Here is how the sample answered our questions:

	6 Farmers in NBA Groups	10 Farmers Near NBA Groups
Have you made recent changes in your farming system?		
yes	1	3
no	5	7

Have you been thinking of making (more) changes?		
yes	4	6
no	2	4

Why haven't you gone ahead to make these changes?		
Lack technical knowledge	1	3
Marketing worries	1	1

What are your main sources of new information concerning production and marketing?		
NBA training & information	2	
Agrarian Services Center	4	9
Cooperative society	1	
Local buyers & shopkeepers	2	5
Private company		1
Private agronomist		1
Colombo market outlet		1
Agromart Foundation		1
Bank representative		1

	6 Farmers in NBA Groups	10 Farmers Near NBA Groups
What sources of finance have you recently used?		
NBA revolving fund	4	
Self or family finance	1	3
Shopkeeper or buyer	1	2
Private bank		3

If not an NBA group member, do you have some awareness of NBA or other NGO programmes?	n.a.	
NBA		2
Agromart		4
NGOs in general		2
None		4

Overall, the differences between the two groups are not striking. We were told that this is a "conservative" farming area when it comes to making shifts from paddy to new crops. Agromart has some nearby groups. The Agrarian Services programme is more actively helping small farmers than in some places. One hidden difference may be that more farmers in the NBO group are "warming up" to the idea of making changes; we were told that neighbors were observing the new crops and practices with interest but wanted to see what happened for two or three seasons.

H. Potentials for Agribusiness Links with Small Farmers and FOs?

This study has brought out the fact that market outlets, prices and ways to get into the commercial stream are much in farmers' and FO leaders' minds. The NGOs that have emphasized local organization and enterprise start-ups could be "reaching up" more to pave the way for better market information and linkages. One of the NGOs studied (ACDI Agri-Dev) has reached further up than the others and has been experimenting with large grower associations, joint grower-processor ventures, and nucleus farm cum outgrower contract systems. But the ideal "model" for any one situation does not yet appear to be in hand.

III. Farmers' marketing concerns

While paddy remains important in their thinking, quite a few of the small farmers with whom we talked have become interested in new enterprises. Yet they are worried by stories of export processors abandoning contractual out-growers, one fresh-produce buyer contriving with another to keep farmer prices low, and prospects of being locked into a single buyer because of credit obligations. There had been some first-hand encounters with such in our sample. "Marketing problems" often came up in discussion. These had to do mainly with the wide seasonal variations in prices of onions, chillies, etc., and their inability to avoid the seasonal lows. Information at the local level about market prices, trends and

options is scarce. The farmers have felt-need for someone to help them choose viable specialty enterprises, marketing outlets and practices, and pricing arrangements. We ourselves observed poor quality produce and high loss rates from poor handling in the market places.

H2. Roles of the NGOs related to marketing

The NGO projects in our study have differed in the emphasis given to marketing and links with commercial outlets:

Agri-Dev Placing much more emphasis than the others to farmer links with commercial exporters. With Pickle Packers, has jointly owned growers association that has buying agents, a few technical field officers with specialist backstopping, and a changeable network of 1,200 (maybe fewer now) small farmers in scattered groups. But now abandoning this (selling its shares to Pickle Packers after the growers association declined to buy in) and starting a new approach of forming a peoples company with 75 growers.

Has begun to sell Kew pineapples and nursery shoots from nucleus farm to ExpoLanka, seeking investors to expand farm and establish cannery, and starting to form a small outgrower network to augment nucleus farm production. Idea has been for farmer groups eventually to buy out Agri-Dev's shares in the joint commercial ventures.

Agro-Mart Providing some marketing help via entrepreneurship training and Trade Fair, but mainly focusing on start-up and early growth of small enterprises based on pre-existing ideas of rural women and men with bright potentials about what to produce.

CARE/Tea Helped low-income rural men and women to break away from bare subsistence orientation, by enabling them to begin tea nurseries and tea leaf production. Included assistance in establishing arrangements with private and government buyers of tea seedlings and leaves.

CARE/Seed Geared mainly to improving local access to improved paddy, chilli and vegetable seeds. Besides production, certification and storage of high-quality seed near the farming-buyers, now emphasizing good business and finance practices, as well as market studies, to guide expansion to other places and kinds of seeds.

NBA Has included business and marketing in courses at its North Western Province training center. Field work has emphasized local organization development, group rehabilitation of minor irrigation works, and improvement of traditional crops. The farmer groups might form the basis for development of some specialty marketing arrangements, though the men and women group members overall do not have strong entrepreneurial mentalities.

H3. How farmers feel about agribusiness market links

In general, farmers in the Agri-Dev, Agromart and NBA groups wish they had more information about prices and marketing options.

The gherkin growers near Kurunegala with previous links to Pickle Packers and Agri-Dev are apparently being abandoned in favour of a new gherkin-growing area elsewhere. The grower association fieldmen do not seem to be visiting them any more to offer advice about other possible buyers or crops.

We heard complaints in gherkin-growing areas that agents for some companies had been keeping part of the payment money that was supposed to go to farmers, were downgrading the gherkins when buying from farmers but then selling at a higher grade, and/or were buying only enough gherkins to repay the loans and leaving farmers stuck with the rest.

On the other hand, there were back-buyer complaints that some farmers were not living up to their contracts and selling to others.

In one locality, at least, the commercial farmers who are now planting Kew pineapples shoots from the Agri-Dev nucleus farm are feeling uneasy about relying on only one buyer (ExpoLanka), despite assurances from Agri-Dev that it will find markets for them. Part-time growers are thinking more in terms of selling fresh fruit in nearby local markets.

H4. Joint ventures and contracts

These difficulties lead one to believe that producer associations and NGOs working with them should think carefully before getting into joint ventures with land developers, buyers, processors or exporters. The notion of having a share in agribusiness profits is appealing to small farmers and those who help them. There may be mutual gains, at least for a while, from the introduction of new enterprises and technologies, economies of size in assembly and transport, and group finance arrangements. But there is an inherent conflict when it comes to farmer prices and contracts. If an NGO is participating, it has to bear clearly in mind what are its aspired aims and roles. Is it seeking mainly to be: 1) a balanced facilitator, negotiator and technology source in behalf of developing a viable agricultural subsector? 2) a helper to small farmers? or 3) a helper to the processor in finding and arranging with farmers to produce at the lowest cost?

The matter of contracting and back-buying from small farmers in Sri Lanka appears to be in early flux. Some workable arrangements appear to be emerging. In the Mahaweli System B area, a cold-pack plant and some other companies are contracting in apparently compatible manner for melons and several kinds of vegetables, with good credit support from the local commercial bank (Seylan Bank). Local farmer organizations, if they have an active core group, seem to be viable entities around which to build contractual and financial obligations, without need for larger apex set-ups. For certain niche products, agribusiness clients of USAID's AgEnt Project are having good results via contracts with lead farmers and small clusters of nearby farmers.

H5. Low-cost ways for NGOs to help farmers make market connections

It appears that NGOs and other groups with small-farmers' interests at heart can usefully "reach up" further from the grassroots in search of better ways to help farmers connect with the ever-changing domestic and international demand patterns and market systems. It needn't be complicated or costly. Bargaining power and marketing strategies of farmers can be greatly enhanced if they have timely information about emerging Sri Lankan consumer demand patterns, interested buyers, how to access markets, price trends, seasonal price variations, maximum supply-costs if they are to be competitive, and looming dangers of over-production. Buyers and exporters would like to know about local farmer groups who are developing capacities to be good suppliers. Attention to simple storage facilities (like onion-drying racks), staggered planting dates, short-season varieties, and packing and shipping methods for reduced loss could greatly increase earnings.

I. The NGOs and Sources of Farmer Finance

This study has brought out the fact that capital requirements for starting new agro-enterprises are often modest, but that finding a suitable source can be a problem.

II. Group loans and contract-buyer finance not the whole answer

As indicated earlier, the NGO help in providing bank referrals and organizing groups that can guarantee bank loans has been very instrumental.

The local revolving-fund approach, with the NGO and group members both contributing at first (NBA has been doing this in NW Province), is viewed by the members as helpful for small capital needs but inadequate for start-ups of much significance. Our follow-up survey in two NBA locations revealed that some revolving-fund loans were being used merely for routine seasonal input needs of traditional paddy cultivation.

The linking of credit to buy-back contracts with processors and exporters is not fully satisfactory. It is geared to the seasonal production costs of a particular commodity, and not to long-run development of a whole-farm system. Farmers fear that it will place them in a weak bargaining position with the buyer. That line of credit may not be dependable from year to year.

12. Some banks becoming interested in lending to progressive farmers

We met several farmers who, having established a good credit record with banks via NGO and local FO backing, were able to obtain individual loans not only for enterprise expansion but also for farm infrastructure development (e.g., tractors, wells and water pumps). The private and public banks most frequently mentioned as taking interest in loans to farmers included Hattan National Bank (HNB), Commercial (especially in NW Province), Peoples, Bank of Ceylon, Seylan (in the Mahaweli area), and the Rural Development Bank. For loans, they talk in terms of 18-21 percent annual interest -- maybe a bit lower if there is

good history or group backing. Some have been adding agricultural lending specialists to their branch staffs. We heard about loans being made farmer-group undertakings like irrigation-water tank restoration, as well as for small-scale agro-processing facilities.

From talks with HNB officials at branch and Colombo headquarters levels, one's impression that this interest of the more progressive bankers in Sri Lanka goes beyond the special schemes, donor guarantees and co-financing, and government pressures. They are beginning to see potentials in helping to finance development of outlying regions. Their interest includes entrepreneurial small farmers, as both lending outlets and sources of savings deposits. They are attracted to the entrepreneurial innovations, financial training, technical backstopping and group reinforcement that some NGOs have generated. They have some worries about the risks of farming, but more on their minds is the risk of politicians in government issuing blanket forgiveness of loans in arrears. Rather than wanting to foreclose, these progressive bankers seem to have a mentality of trying to work things out with farmers who run into problems.

13. Some improvement of banks' rural operations needed

From the farmers' standpoints, there are some problems when dealing with banks -- public banks especially -- regarding complicated borrowing procedures, bureaucratic delays, need for clear land title, and impersonal treatment from the staff. Because of this, many still turn to local shopkeepers and buyers for seasonal credit, even though it entails much higher interest rates, and reduces buying or selling bargaining power. The financial training and reinforcement given by NGOs helps to open the door and speed things up. But modernization and humanization of some up-country banking operations seems needed.

14. What's good for farmers and area growth may be good for banks too

Progressive farmers, farmer organizations and agro-entrepreneurs may have more in common with progressive bankers than with contract buyers, when it comes to finance. Buyers and processors can be important channels for seasonal credit, but they tend to think mainly about the near future, single commodities, and low-cost purchasing. The bankers stand to gain from healthy economic growth of the whole farm production and marketing system, and its adaptability to changing markets and technologies. Perhaps NGOs and donors should concentrate more on a) making bankers aware that small-scale agro-entrepreneurs and local farmers groups do offer potentials; b) fostering closer communication among branch banks, progressive farmers and agro-services; c) providing technical assistance to the banks themselves in strengthening operations related to farmers and rural people, agro-services and area development; and d) informing national leaders about the dangers of undermining the financial system with loan relief.

15. Family finance important, but need more business-like arrangements

The potentials of family finance to foster growth of small agro-enterprises should not be overlooked. We ran across quite a bit of that -- not only from the farmer's own earnings, and savings, but informal loans and contributions from parents, brothers and sisters, and

other relatives. This informality may be all right in semi-subsistence situations where there are traditional extended-family activities and relationships. But as agro-enterprises become larger, more commercialized and hopefully more profitable, there will be need to have more business-like lending and income-sharing arrangements among family members, if tensions and conflicts are to be avoided.

The trend will be for younger people to move away to towns and cities, leaving one or two family members to run the farm. These relatives can be valuable sources of capital, as well as help make market and technology contacts. This makes it all that much more important to have more orderly financial arrangements with them ahead of time.

A similar need relates to inter-generational transfers and inheritance planning. Family-type agro-businesses. It is important to avoid fragmentation into small units that are not economically viable. It is important also to provide an interested daughter or son with a) technical and management training well ahead of time, along with b) enough independence to gain some experience with some new ventures of one's own and c) timely yet friendly clarification of work, financial and decision-making arrangements. Awareness and suggestions along these lines should fit readily into business training that the NGOs are already providing.

J. The NGOs and Sources of Technical Information for Farmers

In our contacts with NGO leaders, we have noticed a tendency to say that the government agencies related to agricultural research, extension, cooperatives and other services aren't doing very much and are not very capable. Not much seems to be known about what the agencies are doing, and communication and meshing at the programme level seems to be sparse. (A current exception is the new CARE seed project, which is seeking to link to and build upon existing services and FOs as much as possible.)

At the same time, there seems to be considerable communication and involvement at the individual specialist level. The NGOs have been utilizing specialists from the Agricultural Department and other agencies for group training, as well as programme advisory purposes. We have run across some very capable, well motivated, energetic persons in the agencies at both technical and programme leadership levels. There appears to be more flexibility than in some countries for individual agency staff to do special things with or for other groups on an occasional basis; some permissions are needed and some honoraria may be expected, but it is not a hassle.

Also, we have run across some capable agriculturalists who are now retired from government service, estate management, irrigation project development, etc. Some of them appear to have community spirit and desire to be of service to their home areas if they can, even if it's on a low-fee or voluntary basis.

Some of the agricultural specialists who have been with the NGO and other innovative donor projects will be returning to government posts. One hopes that their new experience, creativity, and energetic spirit can rub off onto their colleagues and programmes.

One of the gaps, as the NGO start-up roles phase out and the agro-entrepreneurs and FOs are left more on their own, will be future agricultural and post-harvest technology development, transfer and updating to fit the ever-changing commercial development picture.

We talked to the economist/manager of agro-processing and export operations for a long-established company in Colombo. If his view is any indication, such companies are tending to shift away from direct involvement in processing, out-grower contracts and operations, and the extension-type work that goes with these. Unless there are well managed FOs for them to deal with and effective ways to keep small growers abreast of new technologies, commercial firms could turn toward nucleus farms and other more centralized sources of high-quality, low-cost commodities.

One of the most useful NGO roles may be applying pressure and providing constructive ideas at national policy levels toward re-energization of the government research and extension network, with focus on helping progressive-minded small farmers and agro-entrepreneurs to be a viable part of commercial development.

Donors like USAID might encourage innovative approaches, such as use of integrated communications (social marketing) campaigns to inform farmers about new techniques, or public service entrepreneur mini-grants to reinforce special initiatives by creative staff in the agricultural agencies.

Small agricultural producers who move into the commercial stages of agricultural development of one or more enterprises are likely to have less interest in community-oriented FOs and more in specialized associations as sources of information -- poultry producer associations, fruit grower associations, etc. -- even if they have to travel some distance to meetings and demonstrations. Trade magazines become an important means of technology transfer. There may be less need for extension-type fieldmen. At least, this has been the pattern in other countries. NGOs and FOs should be prepared to make companion shifts in the lines along which they organize and reinforce farmers.

K. Summary and Conclusions

To conclude this report, the main points stemming from this study might be recapitulated as follows:

1. Considerable rural entrepreneurial talent and responsiveness

In the small-farm and rural communities of Sri Lanka, a wealth of latent entrepreneurial talent and energy is to be found among men, women and young people. The responsiveness of many of them to NGO help in gaining the needed technical and business skills, start-up capital, and market contacts has been encouraging. Rural Sri Lanka has attractive "comparative advantages" relative to some other developing nations in terms of education, acceptance of women's roles, and group cooperation.

2. Income effects modest but meaningful

While there are striking exceptions for some specialty products, local income and employment gains stemming from the small-scale agro-enterprise development are not spectacular by modern economic standards. (Among 21 of the NGO clients interviewed, 7 had net annual income gains less than Rs 20,000, 8 had gains in the Rs 20,000-50,000 range, and 6 had gains greater than Rs 50,000.) But for the NGO group participants who have been at near-subsistence levels, these modest gains have meant a lot in terms of improved family life quality and security. Probably even more significant have been the NGO roles in energizing desire to change, growth in human capabilities and self-confidence, and other intangible ingredients of future progress.

3. NGO start-up finance very helpful but commercial credit needed for expansion

Finance of enterprise start-up and expansion is one of the major hurdles. (Among 21 persons, 10 had start-up capital needs under Rs 5,000, 8 needed Rs 5000-10,000, and 3 needed more than Rs 10,000.) The NGOs have sought to address this. They have experimented quite successfully with group guarantees of bank loans, encouragement of individual savings and reinvestment, development of skills in financial planning and management. Local revolving funds have been too small to meet the needs of farmers who want to make major changes. The results of contract farming arrangements with processors that include seasonal credit and inputs in kind have been very mixed. It is doubtful that the government can sustain subsidized credit schemes on a large scale. The longer-term answer will probably lie in gaining the interest and confidence of commercial banks in making loans for well thought-out agro-enterprise development in outlying places.

4. Need more NGO attention to market and outlook information

Another hurdle is market information and connections. In general, the NGOs have been good at local catalyzation, organization, training, and guidance of production and harvesting. But they have not always been so good at determining which products to promote

for emerging domestic and export markets, avoiding need to sell when seasonal prices are lowest, establishing contacts and arrangements with buyers, or helping small producers to create size economies and equitable bargaining power in the marketing process. NGO cooperation with projects and organizations that are closer to the processing, commercial handling and consumer end of the marketing chain (such as USAID's AgEnt project) would seem desirable. More NGO in-house expertise related to marketing could be productive, especially if brought to bear on emerging up-country population centers in Sri Lanka that the large commercial interests tend to overlook. Local dissemination of market situation and outlook information could be a very important tool for the NGOs to add to their kit for helping small agro-enterprises to develop and to adjust to changing times.

5. How to keep small agro-entrepreneurs abreast of changing technologies not clear

It will be important for the small agro-entrepreneurs to stay abreast of new technologies and tailor these to their situations. The local groups will not have access to the special NGO training and field worker guidance forever. Funding realities make it necessary for the NGOs to move on to other projects and places. How to pave the way for small farmers and agribusiness to keep up to date and to get specialized help when they need it is a dilemma. Not to be overlooked are: a) the new self-confidence of the NGO group members, and possibilities for them to goad lethargic government research and extension agencies into serving their needs; b) informal communication with the specialists who have helped with the NGO training; c) voluntary help from interested agricultural specialists and managers who would like to see their home communities develop; and d) encouragement of magazines, newsletters, newspaper articles and radio programmes attuned especially to small agro-enterprise needs.

6. Environmental protection taught but not put into practice

At least some of the NGOs have included methods for conserving soil and tackling other environmental concerns in their training courses. Yet these practices have not shown up to a great extent on the farms. It may be that the budding entrepreneurs, in their eagerness to get ahead, are thinking mainly of near-future profits. Also, it would seem productive for NGOs and the donors to have more meshing of agro-enterprise development and environmental-protection activities.

7. Spread-effects could be enhanced

An apparent weakness of some NGO programmes is the limited spread-effects that they are having. Sometimes neighbours and nearby communities are not aware of what the NGOs and local groups are doing. Time and funding constraints make it impossible to apply their intensive approaches everywhere. But more might be done to broaden the spread of agro-entrepreneurship and productive enterprises through use of encouragement of others to attend society meetings, field days with wide attendance, use of mass media, and other means. NGOs might also experiment with less concentrated, lower-cost versions of their approaches, as well as ways to splice agro-enterprise development onto other kinds of projects.

8. Farmers groups and NGO roles need reshaping at various development stages

There may be some danger of trying to form farmers' and home-industry groups as an end in itself, and to sustain them after the initial aims have been outlived. They indeed have important start-up roles in catalyzing entrepreneurial and group-cooperation spirit, building skills and self-confidence, and establishing links to credit and markets. But we noted tendencies for members to lose interest as their enterprises matured and expanded. Some NGO people tend to "stay with" their most successful members and localities, rather than moving on to new clients. Others think in terms of permanent, highly structured networks of farmer organizations and cooperative enterprises -- sometimes without analyzing the aims, alternative ways to reach these aims, and need for nimbleness in adjusting to changing times. It may be better to have a mentality of letting group members "graduate" from the NGO programmes and fostering new kinds of finance, marketing and technology linkages that fit their next agro-enterprise development stage. They still could be at hand to serve as inspiring role models.

9. Links to progressive bankers may fit agro-enterprise development better than depending on single-commodity processors and exporters

One enterprise-development approach has been to seek close ties via cooperative agreements, contracts and even joint ownership with buyers, processors or exporters of certain products like gherkins, spices and pineapples. This is seen as a way for small growers to obtain gain access to new markets, higher prices, credit and inputs, and technological help. One of the five projects that we studied has tried this, with mixed results thus far. There are five inherent weaknesses: 1) the NGO or other intermediary may have a conflict of interest when it comes to grower-price bargaining; 2) the contracts are hard to enforce, 3) grower associations may become locked into obsolete facilities and commodities that are having declining markets; 4) the exporters are not tuned into the expanding urban demand in Sri Lanka for high-quality produce; and 5) progressive farmers need to evolve sources of financial and technological support that meet the needs of a sustainable whole-farm and family-wide employment system and not just the immediate needs of a single product. From these standpoints, it could well be that small-farmer links with progressive banks in outlying areas would make more sense than depending entirely on links with processors and exporters.

10. Economic roles and management ease of proposed groups important to consider

For the most part, the NGOs have demonstrated skill in evolving groups and linkages that fit in well with Sri Lankan socio-cultural traits and small-scale agro-enterprise start-up needs. Each NGO has tended to have its own standard approach, and ideologies or institutional doctrines sometimes enter the picture. As small agro-enterprises start moving into more advanced stages, there is need to ask tough-minded questions about the proposed arrangements, such as:

- » Is this the best way to gain entrepreneurial momentum, market contacts, finance, technological support, cost economies, bargaining power, or whatever else is being sought?

- » Will the proposed arrangement have the needed flexibility and foresightedness to permit nimble adjustments to changing economic situations and opportunities?
- » Are the administrative and legal needs simple enough for farmer groups to understand, handle and afford?
- » How will the proposed organizational or linkage arrangement fit into the emerging pattern in Sri Lanka so far as commercial, public and non-profit sector roles are concerned?
- » Will there be a congruence of interest among the persons involved, or are conflicts likely to arise?

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USAID Study of NGO Agribusiness Development

INFORMATION TO SEEK FROM AGRIBUSINESS NGO HEADQUARTERS PEOPLE

1. What main agribusiness thrusts and where?
USAID-sponsored Others
 2. Updates on descriptive facts re donor and NGO inputs, specific activities, numbers of farmers involved, outputs. (Use latest report as starting point. For completed activities, find out whether things begun have continued, blossomed out further, deteriorated, etc.).
 3. What major kinds of beneficial effects, direct and indirect?
 4. What aspects are seen by informed people at headquarters as being most unique, innovative, successful, of interest to other programs?
 5. What aspects are seen as most disappointing, difficult? (What lessons learned? If doing it over again, how would change the approach?)
 6. How these activities are seen as fitting into the broader picture of private/public sector agribusiness development?
 7. What actions/plans to encourage self-sustainability and/or spread to other places, without continued dependency on special funding and help?
 8. If were advising policy makers, are there any particular actions that would help facilitate further progress?
- *****
9. Copies of (excerpts from) reports and studies not in USAID.
 10. Leads to other persons/groups in Sri Lanka that may have studies, expertise, etc. relevant to this study.
 11. Pinpoint sites/groups/aspects for us to examine, names of NGO field staff to work with us, dates to go there. (Emphasize new information of benefit to the NGO too, rather than duplicating previous studies and evaluations.)

USAID Study of NGO Agribusiness Development

FIELD SURVEY STEPS FOR EACH LOCATION

1. Make quick reconnaissance tour, if we know where the site is and it is enroute to the field NGO office.

2. At the NGO field office
 - 2.1 Try to talk with the NGO people who really know what is happening (not just the office head).
 - 2.2 Get updated facts about their agribusiness activities, target groups, results, upcoming plans, links to other private/public undertakings.
 - 2.3 Seek their views about exciting aspects of special interest to others, unique roles of the NGO in the agro production/marketing system, most useful programme components, disappointments, lessons learned, improvements that could be made, obstacles to be overcome, ways to make self-sustainable, policy actions and technical training/information that would help, etc.
 - 2.4 Obtain reports, data, etc. that they may have, or know about, which would help to document impacts and lessons learned. (Make photocopies locally if needbe and possible.)
 - 2.5 Pinpoint place(s) and cross-section of farmers/small entrepreneurs linked to the programme to be included in the rapid appraisal.
 - 2.6 If needbe, get their help in finding the locality, establishing rapport with local NGO leaders, and seeing local NGO-related facilities.

Decide whether better a) to do the local survey (rapid appraisal) independently or b) to involve some of the NGO staff as a training/feedback help to them.

3. In each local study site (village or neighbourhood)
 - 3.1 Make quick overview sketch of geographic layout -- topography, roads and links to other places, farming areas, markets and agri-input sources, local NGO site, etc.
 - 3.2 If there is a local NGO-related group or facility, talk informally with the leaders about their activities, views about the NGO's contributions and most useful

programme components, impacts on participants and others nearby, efforts to have spread effects and/or make self-sustainable, etc. (Use checklist of questions.)

If local NGO leaders seem to represent good cross-section, get their help in further identifying farmers/small entrepreneurs to be interviewed.

- 3.3 Interview 4 to 8 program participants (cross-sectional case examples) to obtain more in-depth information about their NGO-related involvements, effects on agro production/marketing and family economic wellbeing, perceived spin-off and intangible benefits, problems encountered, extent of genuine involvement and loyalty to the programme, suggestions for future improvement. (Use survey schedule in friendly informal manner. Farm management type "partial budget" would be used to gauge individual economic impacts.)
 - 3.4 Talk with other local persons relevant to the programme (private agro buyers and input suppliers, extension workers, credit sources, other family members, non-participating farm families, etc. as the case may be) to find out whether they have heard of the NGO programme, how they view it, what effects (if any) it has had on them, ideas for improvement.
 - 3.5 Piece together a profile of the emerging agro input-production-marketing system(s) in the area. Emphasize how the NGO work and other USAID-related activities (e.g., AgEnt and FOs), government services and private entities do/do not mesh together. Identify likely future small-scale agribusiness needs and opportunities. (Talk with additional persons and visit facilities, as needed.)
 - 3.5 Take photos suitable for depicting the story of the NGO agribusiness experience thus far in Sri Lanka. (Could consider audio-taping some parts of interviews to be used as quotes, if it doesn't "freeze" candid response.)
4. Check back with the NGO's field/national office if there are some aspects or inconsistencies needing further clarification.

**SURVEY OF FARMERS AND OTHERS
AFFECTED DIRECTLY OR INDIRECTLY BY THE NGO ACTIVITIES**

1. Case no. _____ Name _____

2. Location _____
Near (how to get there) _____

3. Key characteristics of the farm/family/business being surveyed (agro-ecological setting, size, tenure, products/services produced, whether progressive-minded or tradition-oriented, apparent economic level, access to services, whether situation typical/not typical for the area, etc.)

4. NGO/activities/facilities affecting this person/family/business

5. Kinds of direct or indirect links this person/family/business has had with the NGO work, how intensive these links have been, and when

6. How these NGO links have affected this person/family/business (specific kinds of changes in practices, enterprises, sales, employment, etc. brought about)

45

7. Change in economic wellbeing of this farmer/family/business brought about by the NGO links (use a separate sheet for each kind of NGO impact)

7.1 Shifted from (before) _____
to (after) _____

7.2 Economic pluses and minuses in a typical year

	Item	Quantity	Price per unit	Value
Economic <u>pluses</u> (added value of output or savings in costs)				
	a) Total value of pluses			
Economic <u>minuses</u> (reduced value of output or increases in costs)				
	b) Total value of minuses			
Net benefits to the farmer, family or business				

8. How this new undertaking has been financed

9. How the resulting increase in production/income is utilized (consumed by the family? used to pay off debts? to buy luxuries? to educate children? invested to increase future productivity? or what?)

10. Additional plus or minus effects on this farm/family/business stemming from the NGO links (e.g., effects on family diet quality, soil erosion, better organizational abilities, opportunities to socialize with others)

11. Feelings of this person/family/business about the NGO and its work (enthusiastic? feels the NGO has been somewhat helpful? quite critical?)

12. Specific roles of this NGO felt to be most helpful

13. Specific problems related to the NGO work, and ways it could be improved

14. Any sources of assistance besides the NGO that have been instrumental to this undertaking

15. How the inputs for this enterprise are obtained, how the products are marketed, and whether any problems are being encountered

16. What is likely to happen (what did happen) after phasing out the NGO assistance (the farmer/family/business could continue ok on its own? could turn to other services available in the area? would have problems sustaining the new enterprises?)

17. Spread-effects in the surrounding area (other farmers observing and adopting the new practices? more work for landless labour? local shops selling more goods? other entrepreneurs introducing new services? etc.)

15. Other notes and observations _____

Survey date _____ Interviewer _____ Time needed to complete _____

Who provided the information _____

USAID Study of NGO Agribusiness Development

SURVEY OF FARMERS WHO ARE NEAR THE NGO'S ACTIVITIES
BUT NOT DIRECTLY INVOLVED

1. Name _____
2. Location _____
3. Distance from the NGO activity _____
4. Key characteristics of this farm _____

5. Any recent changes in his/her farming system? _____

6. What led to these changes? _____

7. Has been thinking about making some (additional) farming system changes? If so, what are these, and what has prevented him/her from going ahead with them?

8. Main sources of information farming techniques, markets, etc.

9. Any knowledge of the NGO programme and, if so, any impressions?

Visuals used in the November 8, 1994 presentation

NGO DEVELOPMENT OF SMALL FARMER AGRO-ENTERPRISES IN SRI LANKA

**A Study of Impacts, Useful Ideas, Lessons and Issues
for Five USAID-Assisted NGO Programmes**

ACDI/Agri-Dev Commercial Small Farm Development

Agromart Women Entrepreneur Training and Development

CARE Tea Cultivators Assistance (TEACUP)

CARE Private Seed Industry Development and Support (SID)

Nation Builders Association Socio-Economic Upliftment of Small Farmers

Prepared for USAID/Colombo

by

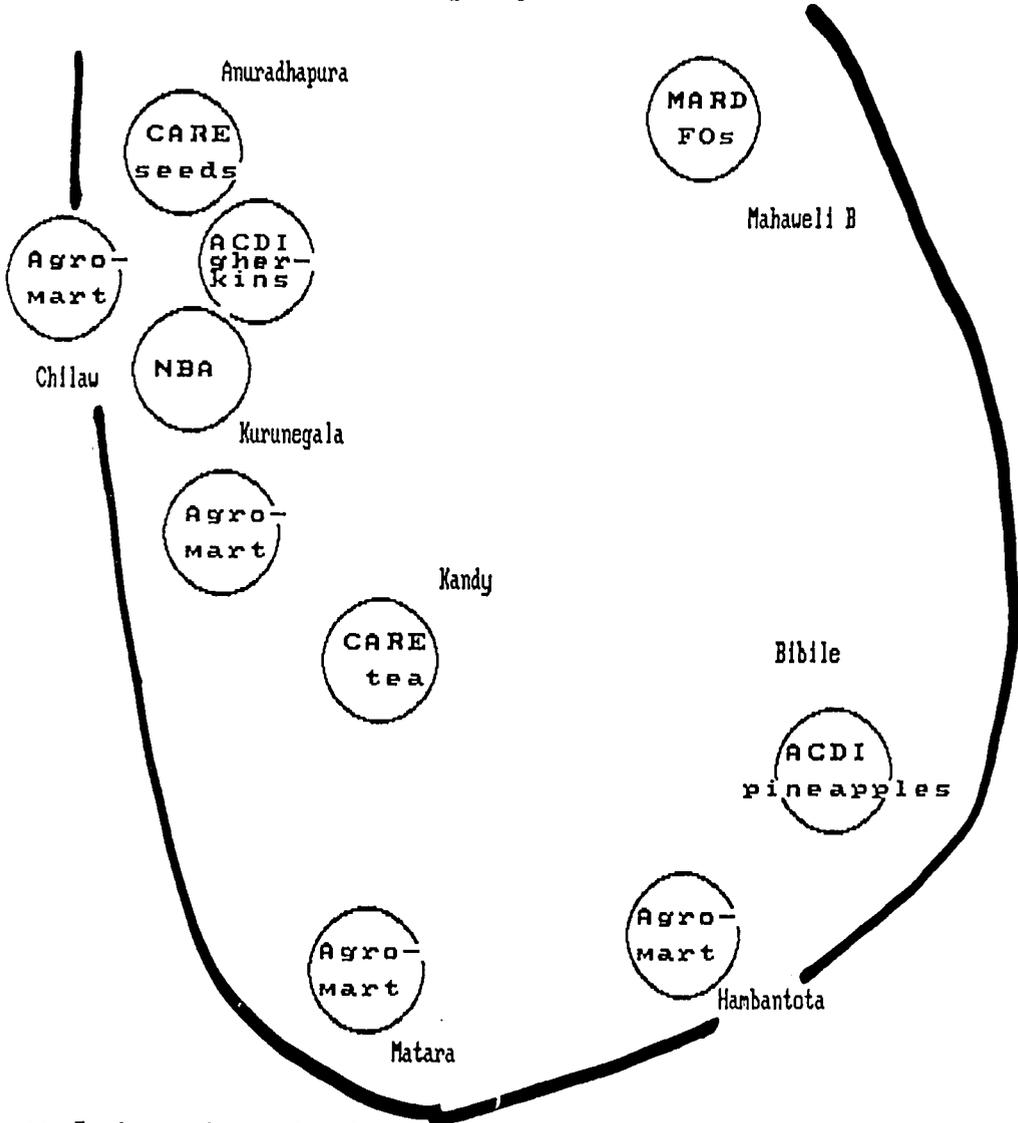
David W. Brown and Neville Gnanapragasam

November 1994

What we did....

* Talked with NGO leaders

* Visited several project areas



* Interviewed about 40 farm people & leaders

* Talked with some buyers, bankers, Ag Dept staff

* Reviewed studies & programme reports

NGO Small Agro-Enterprise Development

SOME FINDINGS....

- 1. Latent entrepreneurial talent and interest**
- 2. Earnings gains mostly modest but meaningful**
Modal annual increases: Rs 20,000-50,000
- 3. Once beyond the start-up finance hurdle, groups and individuals find ways to expand**
- 4. There are regional resource persons who can help**
 - » Well motivated individuals in ag agencies**
 - » Interested retirees**
 - » Branch bankers**

NGO Small Agro-Enterprise Development

STRONG POINTS....

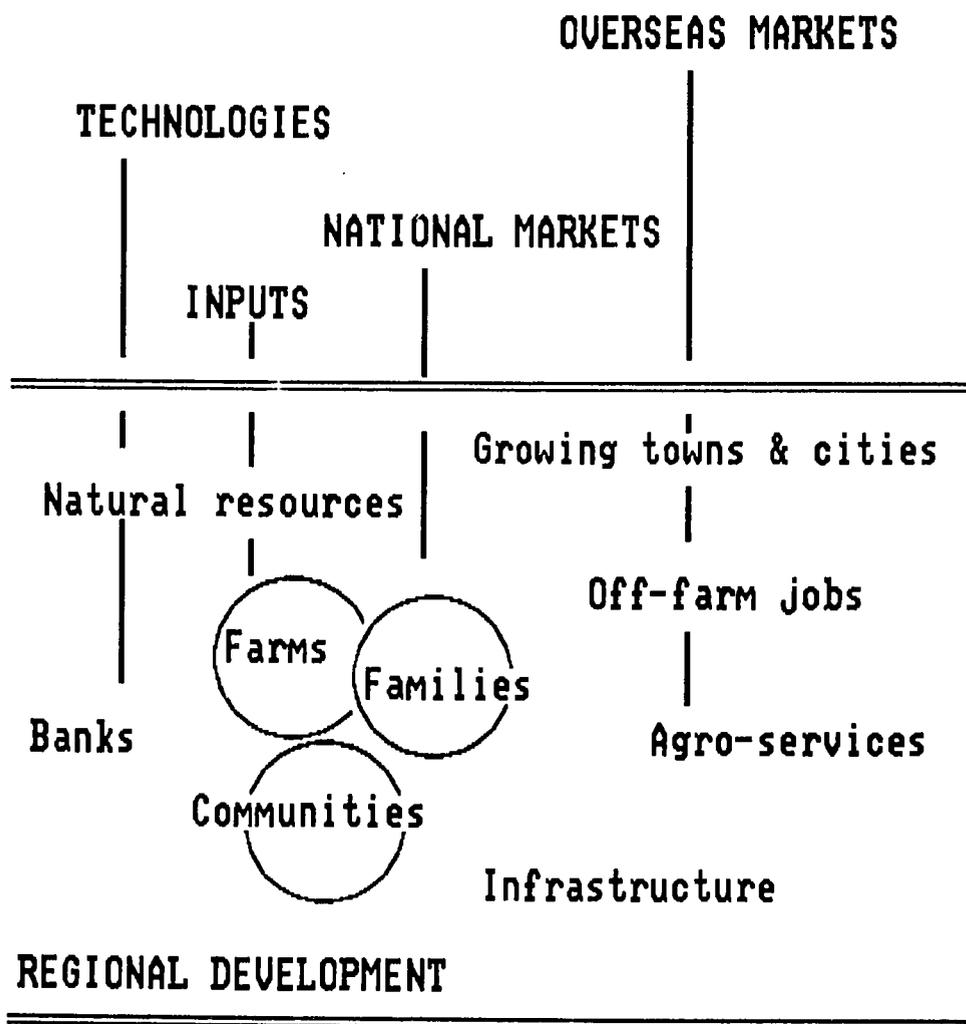
- 1. Initial energization and inspiration**
- 2. Entrepreneurship and business training**
- 3. Technical training and field support**
- 4. Small group formation and reinforcement**
- 5. Help with start-up financing**
- 6. Intangible growth of self-confidence and initiative**

NGO Small Agro-Enterprise Development

WEAK POINTS....

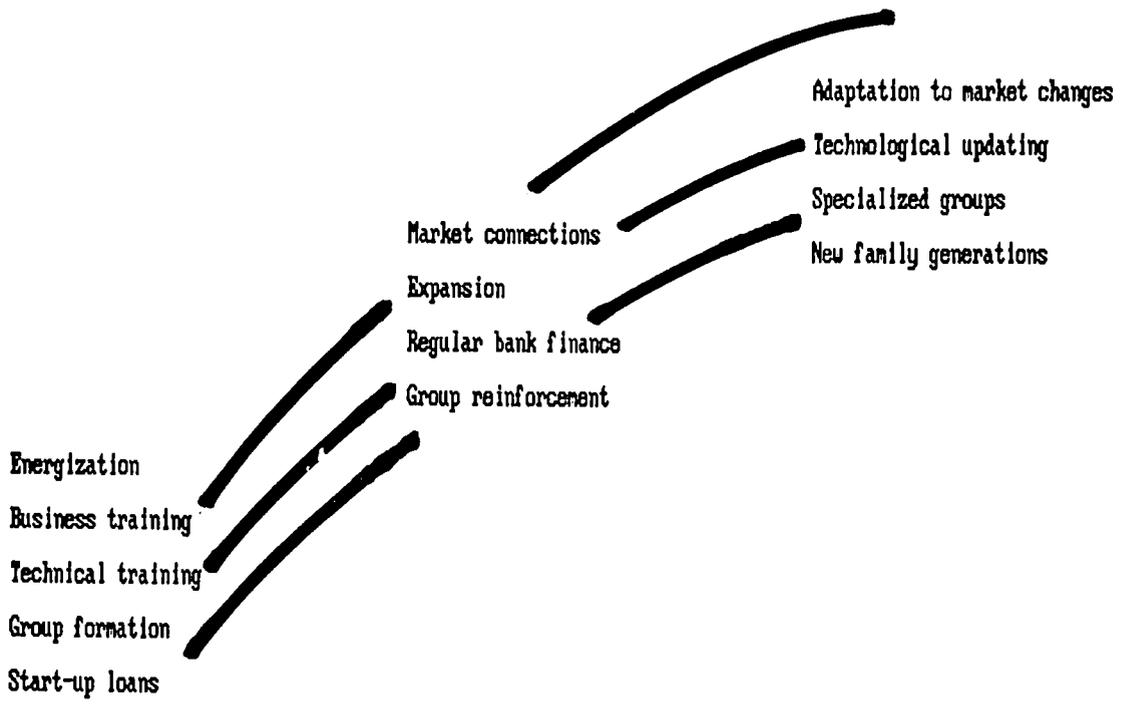
- 1. Market information and linkages**
- 2. Reliance on single enterprises**
- 3. Attention to**
 - a) environmental concerns**
 - b) worker growth**
 - c) intergenerational transitions**
- 4. Limited spread-effects**
- 5. Possible loss of clear sense of purpose and role**
- 6. Planning for post-project sustainability and growth**

A commodity approach alone is not enough



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The different phases of agro-enterprise development...



Start-up.....Commercialization.....to changes
Adjustments

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Which way to fly?

Individual
entrepreneurship
after a group start?



Small entrepreneurship
groups (local FOs)?



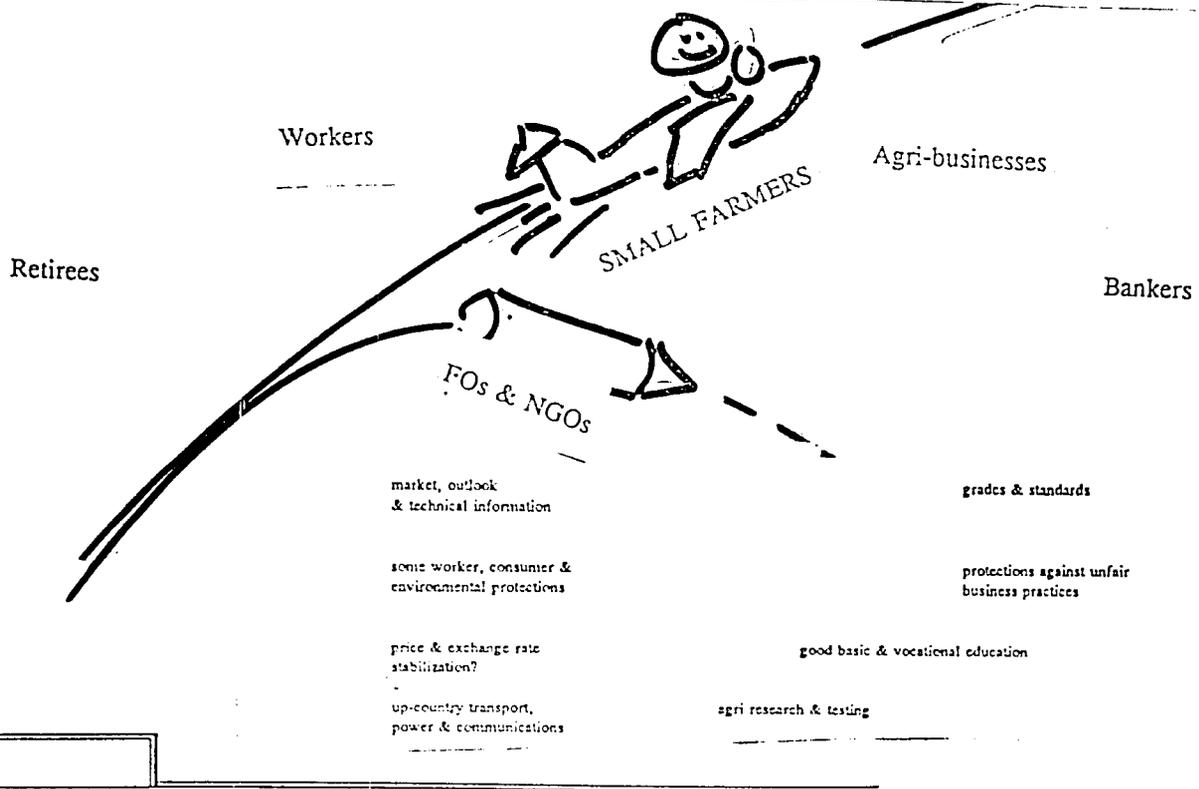
Large FOs doing many
things for farmers?



- market economy ideals.
- * perfect competition
 - * perfect information
 - * perfect mobility

- * efficient agri input, production & marketing system
- * responsiveness to changing national/int'l markets & technologies along with...
- * full opportunities for small farmers to take part (but not as an efficiency-reducing social welfare programme)
- * reasonable consumer prices, quality & safety
- * due regard for worker wellbeing & the environment
- * sustainability in times of political uncertainty

Mini-support entrepreneurs



Government policies & services

D. Brown 26 Oct 94.

SB